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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF
PALO VERDE UTILITIES COMPANY FOR AN
EXTENSION OF ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY.

DOCKET NO. SW-03575A-04-0767

IN THE MATTER OF THE APPLICATION OF
SANTA CRUZ WATER COMPANY FOR AN
EXTENSION OF ITS EXISTING CERTIFICATE
OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-03576A-04-0767

PROCEDURAL ORDER

BY THE COMMISSION:

On October 24, 2004, Palo Verde Utilities Company ("Palo Verde") and Santa Cruz Water Company ("Santa Cruz") (jointly "Applicants") filed with the Arizona Corporation Commission ("Commission") an application in the respective, above-captioned dockets seeking to extend their Certificates of Convenience and Necessity (CC&Ns) to various specified areas in the City of Maricopa, in Pinal County, Arizona.

In Decision No. 67830 (May 5, 2005), the Commission granted the Applicants' CC&N extension requests subject to several conditions, including a requirement that Palo Verde and Santa Cruz each maintain a performance bond of \$750,000. The \$750,000 per company performance bond requirement was imposed in Decision No. 67240 (September 23, 2004) for a minimum period of five years.

During the discussion of the above-captioned dockets at the Commission's May 3, 2005 Open Meeting, questions were raised regarding the need for maintaining the substantial performance bond by Palo Verde and Santa Cruz.

On May 10, 2005, Commissioner Spitzer filed a letter in the dockets requesting that the Hearing Division issue a Procedural Order to consider the merits of reducing the time for maintaining the performance bonds from five years to two years (from the date of Decision No. 67240 - *i.e.*,

September 23, 2004).

On May 12, 2005, Chairman Hatch-Miller filed a letter addressing Commissioner Spitzer's proposal and indicating that the issue should be raised at a Commission Staff Meeting.

On May 12, 2005, Commissioner Mundell filed a letter stating that he believes it is appropriate to re-evaluate whether the bond requirement is in the public interest. Commissioner Mundell suggested that the Hearing Division should issue a Procedural Order establishing a discovery and briefing schedule, and that evidence should be presented by the parties to support their respective positions prior to the Commission's modification or elimination of the performance bond.

During the Commission's May 17, 2005 Staff Meeting, the Commissioners voted to direct the Hearing Division to issue a Procedural Order scheduling an evidentiary hearing on the performance bond issue.

IT IS THEREFORE ORDERED that a **hearing** on the performance bond issue shall be scheduled for **July 20, 2005, at 10:00 a.m.**, at the offices of the Commission.

IT IS FURTHER ORDERED that the Applicants and Staff shall file testimony regarding their respective positions on the performance bond requirement by no later than **July 8, 2005**.

IT IS FURTHER ORDERED that the ex parte rule remains in effect.

IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

DATED this 2nd day of June 2005.


DWIGHT D. NODES
ASSISTANT CHIEF ADMINISTRATIVE LAW JUDGE

Copies of the foregoing mailed
this 2 day of June, 2005 to:


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